

**THE NORTHWEST SEAPORT ALLIANCE**  
**MEMORANDUM**

**MANAGING MEMBERS**  
**ACTION ITEM**

<b>Item No.</b>	9A
<b>Date of Meeting</b>	November 5, 2024

**DATE:** October 29, 2024

**TO:** Managing Members

**FROM:** John Wolfe, CEO

Sponsor: David Morrison, CFO

**SUBJECT:** 2025 Operating Budget, 2025-2029 Capital Investment Plan, and 2025 Service Level Agreement delegation.

**A. ACTION REQUESTED**

Request Managing Member authorization for the following items:

1. The 2025 Annual Operating Budget;
2. The 2025-2029 Capital Investment Plan (CIP); and
3. Authorize the Northwest Seaport Alliance (NWSA) CEO to enter into and execute the Service Level Agreements (SLAs) with the Homeports.

**B. SYNOPSIS**

Managing Member approval of the one-year operating budget, five-year CIP and contribution of funds to Capital Construction are required by the NWSA Charter. State law requires Managing Member approval to delegate authorization of the Interlocal Agreements between the NWSA and Homeports for support services to the NWSA CEO and Homeport Executive Directors.

**C. BACKGROUND**

1. Section 3.5 of the Charter requires Managing Member approval of the **Annual Budget**, which is the annual operating budget of the NWSA. The preliminary budget was presented during a study session and no changes have been made to the budget.
2. Section 3.6 of the Charter requires Managing Member approval of the **Five-Year Capital Investment Plan (CIP)** for all licensed properties. Approval of this budget denotes conceptual agreement only. All projects will need to be approved

separately by the Managing Members or by delegation per the Master Policy Delegation of Authority. The 2025-2029 CIP was presented during the study session and no changes have been made to the CIP. A list of projects to be authorized by the Managing Members has been included in the presentation.

3. Authorize the NWSA CEO to enter into and execute the Service Level Agreements between the NWSA and POT, and between NWSA and POS. The Homeport commissions will be requested to authorize their respective Executive Directors' execution of the SLAs.

#### **D. FINANCIAL IMPLICATIONS**

##### ***Source of Funds***

Funds for the Operating Capital and Working Capital have been provided by the Homeports. No Additional Working Capital is requested.

##### ***Financial Impact***

The NWSA is budgeted to provide \$145.6 million of Distributable Cash and \$116.7 million of Net Distributable Revenue that will be shared between the two Homeports. Additionally, \$150.1 million is expected to be spent on Capitalized projects in 2025 subject to Managing Members' authorization. Funds will be provided for authorized projects by the Homeports to the Alliance as necessary.

#### **E. PREVIOUS ACTIONS OR BRIEFINGS**

Information on the NWSA 2025 budget, 2026-2029 operating forecast, and 2025-2029 CIP have been made available to the public as follows:

- The September 3<sup>rd</sup> CIP Budget study session including target setting and 2025 capitalized project spending;
- The October 25<sup>th</sup> budget study session was an in-depth look at business forecasts, five-year Capital Investment Plan and the 2025 Operating Budget;
- The budget presentation materials were made available on October 16<sup>th</sup> on the NWSA website for public review; and
- The budget document was made available on October 16<sup>th</sup> on the NWSA website for public review.

Each Homeport will also hold public meetings in November to adopt its statutory budget and tax levy:

- The Port of Seattle Commission will hold meetings on November 12<sup>th</sup>, and November 19<sup>th</sup> and
- The Port of Tacoma Commission met on October 31<sup>st</sup> and will meet on November 19<sup>th</sup>.

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# 2025 Budget Adoption




**THE NORTHWEST  
SEAPORT ALLIANCE**  
SEATTLE + TACOMA

David Morrison, CFO  
Calum Tasker, Sr. Financial Analyst  
Lien Dam, Sr. Financial Analyst

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## Approval Request

- Request Managing Member approval of following items:
  - 2025 Operating Budget including Memberships over \$10,000 and Promotional hosting
  - 2025-2029 Capital Investment Plan
    - Not authorizing any projects. Each project still requires authorization per delegation or by MM vote
  - Delegation to the NWSA CEO to enter into and execute the Service Level Agreements (SLAs) with the Homeports.



THE NORTHWEST  
SEAPORT ALLIANCE  
SEATTLE + TACOMA 10/29/2024

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## 2025 Budget (\$ million)

(\$ millions)	2023 Actual	2024 Forecast	2025 Budget
Total Operating Revenues	238.4	265.1	268.5
Total Operating Expense	128.0	150.2	172.4
Income from Operations	\$110.5	\$114.9	\$96.1
<i>Return on Revenue</i>	46.3%	43.3%	35.8%
Non Operating Income (Expense)	4.9	0.9	20.6
Distributable Income	\$115.4	\$115.7	\$116.7
Distributable Cash	\$136.4	\$140.6	\$145.6
HMT Funds (not in NWSA P&L)	\$6.1	\$53.9	\$53.9
Total Distributable + HMT	\$142.5	\$194.5	\$199.5

2025: Expect to receive a \$10M T5 affirmation payment in addition to the calculated distributable cash (not included above)

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## MEMBERSHIPS

MM approval of NWSA Memberships over \$10,000 required per NWSA Master Policy

Organization	2024		
	2024 Budget	Forecast	2025 Budget
American Association of Port Authorities	\$ 78,000	\$ 82,639	\$ 83,000
Pacific Northwest Waterways Association	34,500	\$ 38,238	37,000
Washington Council on International Trade	20,000	\$ 20,000	20,000
Green Marine	11,000	\$ 11,435	12,000
Clean and Prosperous Washington	10,000	\$ 10,000	10,000
All Other Memberships under \$10,000	63,822	\$ 44,999	75,400
<b>Total NWSA Memberships</b>	<b>\$ 217,322</b>	<b>\$ 207,311</b>	<b>\$ 237,400</b>

Actual amounts paid may vary slightly as some dues are calculated based on fiscal year financial results.

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## Promotional Hosting

- RCW 53.36.120 & 130 requires that Port expenditures for Industrial Development, Trade Promotion, and Promotional hosting be specific budgeted items
- Promotional hosting is “Furnishing customary meals, refreshments, lodging, transportation or any combination of those items in connection with: Business meetings, social gatherings, and ceremonies honoring persons or events relating to the authorized business promotion activities of the port”

	2023 Actual	2024 Forecast	2025 Budget
Hosting	\$140,291	\$237,808	\$261,875

2025 Statutory limit is \$696,261

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## Capital Investment Plan

Although funds for a project are included in the CIP, the project is not automatically authorized to proceed. Managing Member approval is required for all projects over \$350,000 regardless of budget inclusion

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## 2024 - 2029 CIP by Category *(\$ thousand)*

Group	2024 Fcst	2025 Bdgt	2026 Bdgt	2027 Bdgt	2028 Bdgt	2029 Bdgt	Total 2024-29
Maintenance	19,429	50,230	68,958	55,952	22,865	2,075	219,509
T5	33,902	83,572	24,621	150	0	0	142,245
Op upgrade	9,442	12,220	35,270	37,826	18,000	9,419	122,177
Husky	11,768	9,340	5,200	10,095	3,500	0	39,903
Environmental	5,890	14,137	10,383	4,029	1,999	605	37,043
SupportSys	5,194	300	300	300	0		6,094
<b>Grand Total</b>	<b>\$ 85,624</b>	<b>\$ 169,799</b>	<b>\$ 144,732</b>	<b>\$ 108,352</b>	<b>\$ 46,364</b>	<b>\$ 12,099</b>	<b>\$ 566,970</b>

### Definitions

- **Maintenance** = repair of existing asset
- **T5** = \$454M authorized project plus intermodal improvements
- **South Harbor Terminal expansion** per 2035 Vision
- **Environmental**=ongoing clean air and clean water projects
- **Operational Upgrades** = Added capacity or improved functionality.
- **Husky** – Improvements to the terminal including 8 cranes, T4 wharf, tenant improvements, shore power, maintenance berth dredging and toe wall
- **Support Systems** = CBP improvements



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## 2024/2025 Projects to be authorized – over \$350k

Location	Project Name	Type of Reques	2024/2025 Total	2025-2029 Total Budget
Air Quality	Clean Cargo Handling Equipment Incentive Program	(blank)	2,300	4,400
	FY21 DERA Grant Scrap Bonus Program	(blank)	460	288
	NWPCAS ZE Truck Support	(blank)	452	336
	Zero Emission Drayage Demonstration Program	(blank)	420	420
<b>Air Quality Total</b>			<b>3,632</b>	<b>5,444</b>
AWC	AWC Asphalt Replacement and Stormwater	Construction	1,000	1,350
<b>AWC Total</b>			<b>1,000</b>	<b>1,350</b>
Husky	Husky Area A5 & A6 Paving Repair	Construction	6,915	6,915
	Husky Terminal Expansion	Construction	5,526	19,500
<b>Husky Total</b>			<b>12,441</b>	<b>26,415</b>
IT	PCS: Truck Experience Measurement- Implementation	Construction	500	2,500
<b>IT Total</b>			<b>500</b>	<b>2,500</b>
Jack Block	Jack Block Park Pier & Plaza Replacement	Design	2,050	9,950
<b>Jack Block Total</b>			<b>2,050</b>	<b>9,950</b>
PCT	PCT LED Lighting Upgrade	Design	800	2,840
	PCT Reefer Racks & Plugs	Design	450	14,700
	PCT Shorepower - Design phase	Design	400	2,725
	PCT Transfer Zone Pavement Reconstruction	Design	388	5,147
	PCT Wapato Creek Culvert Replacement	Design	1,500	35,000
	Wapato Creek Culvert Outfall & Interceptor Pipe Repair	Construction	372	364
<b>PCT Total</b>			<b>3,910</b>	<b>60,776</b>



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## 2024/2025 Projects to be authorized – over \$350k

Location	Project Name	Type of Request	2024/2025 Total	2025-2029 Total Budget
T115 General	T115 South Substation - Electrical Maintenance Assessment	Construction	424	424
<b>T115 General Total</b>			<b>424</b>	<b>424</b>
T18	T18 Deepening (Design)	Design	552	1,182
	T18 Lift Station Replacement	Design	410	2,139
	T18 Maintenance Dredging (HMT eligible)	Design	694	8,366
	T18 Pile Cap Repairs Construction Only (HMT eligible)	Design	2,340	53,504
	T18 Water Main & Valve Replacement North - Design	Construction	400	1,000
<b>T18 Total</b>			<b>4,396</b>	<b>66,191</b>
T30	T30 Dock Rehabilitation (HMT eligible)	Design	500	8,565
	T30 Main Substation (North) - Electrical Maintenance Assessment	Construction	424	424
	T30 Maintenance Dredging (HMT eligible)	Design	635	4,603
<b>T30 Total</b>			<b>1,559</b>	<b>13,582</b>
T46	T46 High Mast Lighting Retrofit	Construction	360	345
	T46 Install Removable Bull Rail	Construction	500	500
	T46 Light Pole Replacement	Construction	510	760
	T46 Lighting Controls	Construction	460	450
	T46 Office Improvements	Construction	1,712	1,685
	T46 SPU Combined Pipe Repair	Design	724	1,929
<b>T46 Total</b>			<b>4,266</b>	<b>5,669</b>
T5	T5 Main Low Voltage Substation Maint & Relay Replacement	Construction	680	660
	T5 Rail Bungalows Controls Upgrade	Construction	550	850
	T5 Roof Replacements	Construction	1,992	2,576
<b>T5 Total</b>			<b>3,222</b>	<b>4,086</b>



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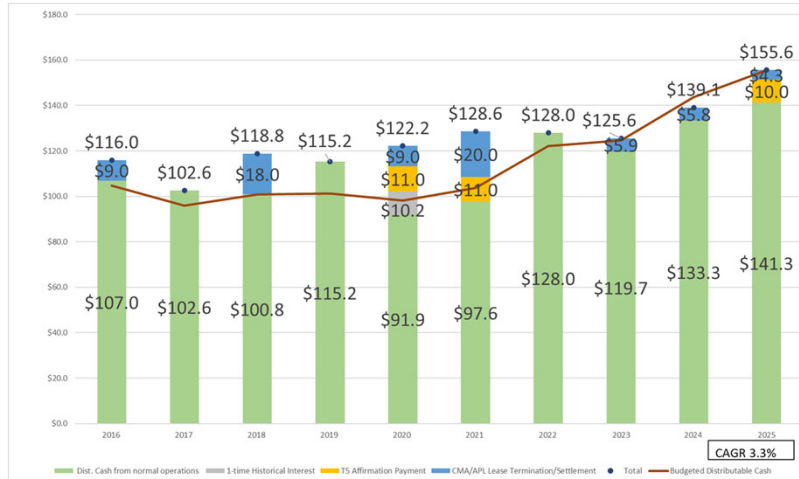
## 2024/2025 Projects to be authorized – over \$350k - conclusion (\$ thousand)

Location	Project Name	Type of Request	2024/2025 Total	2025-2029 Total Budget
T7	IHI 2078 Crane Surplus	Construction	1,200	1,200
	T7 Infrastructure repairs and improvements - (HMT Eligible)	Design	1,254	51,845
<b>T7 Total</b>			<b>2,454</b>	<b>53,045</b>
TOTE	Terminal Building repairs or replacements - TOTE	Construction	500	500
	TOTE Terminal Pavement Maintenance & Repair	Construction	550	550
<b>TOTE Total</b>			<b>1,050</b>	<b>1,050</b>
W. Sitcum	W. Sitcum Main Substations Replacement	Construction	2,268	2,812
	West Sitcum Bldg. 950 Sewer Line Replacement	Construction	1,732	1,590
<b>W. Sitcum Total</b>			<b>4,000</b>	<b>4,402</b>
WST	W Sitcum Terminal Wooden Light Pole Replacement (SSA will do the work)	Construction	7,000	7,000
<b>WST Total</b>			<b>7,000</b>	<b>7,000</b>
WUT	WUT Bollard Upgrades	Design	350	7,386
	WUT Shore Power Prelim Design (Moved into Design Phase)	Design	1,876	1,492
<b>WUT Total</b>			<b>2,226</b>	<b>8,878</b>
<b>Grand Total</b>			<b>\$ 54,130</b>	<b>\$ 270,762</b>



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## Distributable Cash History (excluding HMT) (\$ million)



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